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Zimbabwe

Sugar

Annual

2004

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Report Highlights:

Zimbabwe is expected to produce 4.1 million tons of sugar cane this year after 4.5 million tons were produced in MY 2004. Sugar production is nonetheless expected to reach 515,000 tons after 508,000 tons were produced in 2004. Exports from the 2005 crop are at this stage forecast at 125,000 tons after the 2004 exports reached 150,000 tons. Zimbabwe's land reform program has now reached the sugar industry.

Includes PSD Changes: Yes

Includes Trade Matrix: No

Annual Report

Pretoria [SF1]

[RH]

Summary

The marketing year used in this report is an April to March year. For example, MY 2005 denote the milling season and marketing year from 1 April 2004 to 31 March 2005.

Zimbabwe is expected to produce 4.1 million tons of sugar cane this year after 4.5 million tons were produced in MY 2004. The decline in production is ascribed to delays encountered during the 2004 season, which limited the productive season for the 2005 crop. Sugar production is nonetheless expected to reach 515,000 tons after 508,000 tons were produced in 2004. The better sugar yield is the result of higher quality cane brought about by sufficient sunlight hours.

Exports from the 2005 crop are at this stage forecast at 125,000 tons after the 2004 exports reached 150,000 tons.

Zimbabwe's economic woes continue. The government of Zimbabwe (GOZ) is reluctant to adjust the official exchange rate. However, to try to eliminate the "parallel" (black) market, a daily auction of foreign currency has been introduced. This has reduced the rate on the parallel market from ZW\$6000 to ZW\$4200:US\$1. However, the government is still critically short of foreign currency to meet the country's needs. The parallel market still operates but at rates close to the auction rate. Exporters are required to sell 25% of their foreign currency earnings to GOZ at ZW\$824:US\$1 and the remainder can be sold at the daily auction. The official exchange rate is still ZW\$55:US\$1 although very few people use it.

Exchange rates

March 23, 2002, US\$1.00 = Z\$322.00 (parallel market)
US\$1.00 = Z\$ 55.00 (official rate)

April 04, 2003, US\$1.00 = Z\$1 420.00 (parallel market)
US\$1.00 = Z\$ 55.00 (official rate)

April 05, 2004, US\$1.00 = Z\$4 468.08 (auction rate)
US\$1.00 = Z\$ 55.00 (official rate)

Sugar cane

Country	Zimbabwe					
Commodity	Sugar Cane					
1000 Ha.	2003	Revised	2004	Estimate	2005	Forecast
1000 Mt.	USDA [Old]	Post [New]	USDA	Post	USDA	Post
Market Year Begin		04/2002		04/2003		04/2004
Area Planted	44	44	0	45	0	45
Area Harvested	43	44	0	44	0	44
Production	4390	4419	0	4533	0	4121
TOTAL SUPPLY	4390	4419	0	4533	0	4121
Utilization for Sugar	4390	4419	0	4533	0	4121
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	4390	4419	0	4533	0	4121

Production

Zimbabwe's 2005 sugar cane crop now being cut is estimated at 4.1 million tons, 9% less than the 2004 crop. The decline is mainly due to delays during the 2004 milling season, which did not allow the 2005 crop to mature fully. The estimate may even be optimistic, as the land re-distribution program has now also affected the sugar industry. The new settlers are facing management and financing problems. The fields are not being properly fertilized and irrigated while very little is being done to control pests and diseases. There is also a legal battle on about ownership of the cane, especially the 2004 deliveries that were produced by the original commercial farmers.

All sugar in Zimbabwe is grown in the South-Eastern Lowveld under irrigation. Rainfall for the summer of 2003/2004 up to the end of March 2004 reached about 80% of what could be expected in the sugar growing areas, but in the dam catchments the rainfall already exceed the average, and as a result, all the dams feeding the industry are full. This means that the sugar industry has two years water supply available.

The cost of water is, however, increasing. In 2002, the GOZ created the Zimbabwe National Water Authority (ZINWA) to manage the country's water supplies. ZINWA then put the cost of water to the sugar industry at about Z\$50 per thousand litre. By February 2003, this had been increased to Z\$150/1000 litre but by March 2004 a price of Z\$165,000/1000 litre was announced. The Minister of Water Affairs then intervened and cut the price to Z\$85,000/1000 litre. Using the auction exchange rate of about Z\$4200 per US Dollar this amounts to about US\$ 20 per 1000 litre, a price that a cane sugar industry cannot afford.

During the summer of 2002/2003, long spells of cool, overcast weather were experienced in February and March 2003 and, as a result, flowering of the cane reduced sugar yields. Delays throughout the cutting season caused by lack of fuel, spares for rolling stock and locomotives, and general labour unrest caused the cutting season to be extended to the 22nd and the 26th of January 2004 respectively at the two mills.

Management of both mills were confident that their mills would be ready to start the new season in April 2004. The long cutting season in 2004 will adversely affect yields in 2005, as a significant number of fields will have to be cut after only 11 months of growth. Both mills are determined to finish the cutting season by December 2004.

There will be no expansion of the area planted until such time as the giant Tokwe-Mukorsi dam is completed. Construction of this dam was started in 1998 but due to the Government of Zimbabwe's (GOZ's) inability to meet its financial commitments, construction halted in April 1999. Indications are that GOZ has found adequate funds to restart construction. It remains to be seen whether construction will continue. Once this dam is completed in 4-5 years' time, it is expected that an additional 8,000 hectares of cane could be planted. This will significantly increase sugar production for export. In order to cater for the increased cane production, both mills will expand their crushing capabilities. It is unlikely that a new mill will be built in the near future.

The LOMAZ (Lower Mazowe Valley) project to produce sugar in the North-east of Zimbabwe is continuing to experience difficulties due to the government's current land policies as well as the extremely unstable economic environment in the country. Should this project come to fruition, it could add about 140,000 MT of sugar to national production.

Any changes in production over the last few years and for the foreseeable future will be due to differences in yields from season to season. The main factor that will affect yields, with all the dams full, will be the sunshine hours in the period December to early March when peak vegetative growth occurs. All cane, except the replanted cane, is cut in a 12-month cycle. Replanted cane is generally cut within a 15-16 month cycle. One of the larger estates has a few fields, which survived the 1992 drought and is now into their 22nd year of production. Yields of these fields are still adequate for them not to be replanted.

Centrifugal Sugar

Country	Zimbabwe					
Commodity	Sugar					
1000mt.	2003	Revised	2004	Estimate	2005	Forecast
	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	04/2002		04/2003		04/2004	
Beginning Stocks	84	84	121	37	125	45
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	580	580	540	508	0	515
TOTAL Sugar Production	580	580	540	508	0	515
Raw Imports	0	0	0	0	0	0
Refined Imp. (Raw Val)	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	664	664	661	545	125	560
Raw Exports	94	94	128	98	0	75
Refined Exp. (Raw Val)	60	60	53	53	0	50
TOTAL EXPORTS	154	154	181	151	0	125
Human Dom. Consumption	389	473	355	349	0	380
Other Disappearance	0	0	0	0	0	0
Total Disappearance	389	473	355	349	0	400
Ending Stocks	121	37	125	45	0	35
TOTAL DISTRIBUTION	664	664	661	545	0	560

Production

MY 2005 sugar production is only expected to reach about 515,000 tons compared to the 508,000 tons produced in 2004. The tons cane per ton sugar ratio is, however, expected to improve to eight tons cane per ton of sugar compared to the 8.9 tons needed in 2004, which explains the anomaly of higher sugar production from a smaller cane crop. The higher cane quality is due to sufficient sunlight and moisture during the growing season.

Consumption

Although the MY 2003 domestic consumption figure is high it probably includes informal exports of Zimbabwean sugar into the region. This has now virtually stopped due to the change in exchange rate caused by the introduction of forex options. The estimated 2003/04 domestic sales are:

Zimbabwe	Sugar	Domestic	Sales	1000 Mt.
MY 2003/04	Refined	Semi-ref.	Speciality	Total
Industrial	64	16	3	83
Consumer	146	116	4	266
Total	210	132	7	349

Consumption is likely to increase again in MY 2004/05 due to the cutback in "grey" exports. GOZ re-introduced formal price controls in October 2001 in the run up to the crucial Presidential election. However, with inflation rising to over 600% pa, the government has been unable to keep up the demands of industry for frequent prices changes and, as a result,

price controls have fallen away. Some basic foodstuffs are now “monitored” by GOZ to ensure that price increases are not in excess of inflation.

Exports

The export situation for the past two seasons is as follows:

1,000 metric tons	MY 2002/03	MY 2003/04 est.
Refined sugar		
Botswana	24	17
Angola	8	15
Namibia	16	17
South Africa	12	4
TOTAL	60	53
Raw sugar		
Namibia	24	28
Portugal (SPS)	26	26
UK (ACP)	32	31
US (Quota)	12	13
Raw Total	94	98
Grand Total	154	151

There is some uncertainty over the future of the US sugar quota but nothing definite has been reported to this office.